DOW, LOHNES & ALBERTSON
ATTORNEYS AT LAW
1255 TWENTY-THIRD STREET
WASHINGTON, D.C. 20037-1194

LEONARD JERVEY KENNEDY
DIRECT DIAL NO.
857-2505

TELEPHONE (202) 857-2500
FACSIMILE (202) 857-2900

March 22, 1995

Mr. William F. Caton
Acting Secretary
Federal Communications Commission
1919 M Street, N.W.
Washington, D.C. 20554

Re: Ex Parte Meeting
PP Docket No. 93-253
Competitive Bidding

Dear Mr. Caton:

On behalf of Page Call, Inc. ("Page Call") and pursuant to Section 1.1206(a) of the Commission's Rules, this letter will constitute notice that on March 21, 1995, Lisa-Gaye Shearing, President of Page Call, James P. Rigas, Vice President of Strategic Planning of Adelphia Cable Communications, Leonard J. Kennedy, Esq. and Richard S. Denning, Esq. of Dow, Lohnes & Albertson met with Rudolfo M. Baca, Legal Advisor to Commissioner James Quello, Ms. Jill Luckett, Special Advisor to Commissioner Rachelle Chong, Lisa Smith, Esquire, Legal Advisor to Commissioner Andrew Barrett, Mary P. McManus, Esq., Legal Advisor to Commissioner Susan Ness, and Ruth Milkman, Esq., Senior Legal Advisor to Chairman Reed Hundt of the Federal Communications Commission to discuss outstanding issues in the Commission's Competitive Bidding rulemaking proceeding. Page Call's views on the substantive issues discussed are identified in the attached summary. An original and one copy of this letter has been submitted to the Secretary.

Should any questions arise in connection with this notification, please do not hesitate to contact the undersigned.

Respectfully submitted,

Leonard J. Kennedy
Attorney for Page Call, Inc.

LJK/css
Enclosure

cc: Ms. Lisa-Gaye Shearing
Mr. James P. Rigas
Rudolfo M. Baca, Esq.
Ms. Jill Luckett
Lisa Smith, Esq.
Mary P. McManus, Esq.
Ruth Milkman, Esq.

COMPETITIVE BIDDING
PP DOCKET NO. 93-253

The government's installment payment plan alone is not sufficient to satisfy the DEs' financial needs. Consequently, additional sources of capital -- debt and equity -- are required for the build-out and funding of operating losses of DE-owned PCS systems. To attract the debt component of this capital from banks, the Commission's rules must provide certainty for systems in financial distress. The major lenders to the wireless industry have said that the existing rules will not permit them to extend loans to otherwise deserving DEs.

DE Work-outs

The Commission's discretionary six month grace period to work out alternative arrangements for payment of a defaulting licensee's financial obligations is not adequate. The FCC should create a limited exception to its transfer rules to allow entrepreneurs in financial distress to sell the licenses to entities that do not qualify for the entrepreneurs' blocks only under certain circumstances. The limited exception will permit pre-bankruptcy work-outs as well as reorganizations in bankruptcy.

Permitting these transfers as a last resort, when a DE is in financial distress, will promote the FCC's DE policies by making necessary capital available to DE licensees. Lenders will ordinarily have sufficient incentive to arrange for the assignment of the system to another DE because of the FCC's unjust enrichment provisions.

Third-party (bank) financing will provide DEs capital subject to prudent lending leverage ratios that recognize the government's financing contribution.

The option of petitioning the Commission for a waiver of its transfer restrictions or license cancellation provisions will not provide lenders with the level of comfort needed to ensure that funds will be made available to DE licensees. Traditional lending practices require the certainty of an established work-out process.

"Sham foreclosures" are not likely because the DEs equity stake will be wiped out or recaptured. The costs of foreclosure and the transparency of foreclosure will prevent "sham" foreclosures.

If current rules are maintained, C block licenses will become concentrated in the hands of entities backed by traditional telecommunications service providers. DEs supported by successful A & B block bidders will be the only entities capable of raising the capital needed to build-out a competitive PCS system. Non-traditional players will be unable to adequately finance C block licenses. The FCC's goals of diversity in the provision of telecommunications service will not be achieved.

License Cancellation

Consistent with the concept of an orderly distress work-out process, the FCC should clarify that it will not cancel the licenses that are in default but will allow the license to remain part of the assets to be sold, subject to FCC approval, in a reorganization or work-out. This would provide greater certainty to banks and to the government with respect to their ability to recover their financing through the sale of the DE's assets.

The FCC rule providing that DEs will lose their licenses if they default on their installment payments impairs the willingness of lenders to provide financing to DEs. Under this rule, a lender will be unable to protect its loan by requiring the sale of an operating system upon default, and will be left with only the PCS assets as security for its loan.

Lenders will be more likely to assume the risks associated with PCS acquisition costs or DE working capital requirements if the borrowers' most valuable asset -- the license -- will not be revoked by the FCC. If lenders are not permitted to rely on the continuing value of the license and the operating system, they will limit their financing to a percentage of the equipment value (but banks, presumably, will be subordinate to equipment vendors).

Revoking the license will adversely affect the DEs' customers and will reduce the value of the license itself (reducing the amount of revenue the government will derive). Any subsequent auction is unlikely to generate as much revenue as the initial auction.

Debt Priority Rules

The FCC must clarify the relationship of the government's installment payment plan vis-a-vis additional debt needed to construct and build out broadband PCS systems.

Summary

The government's mandated goal of achieving diversity among broadband PCS license holders must not be inadvertently defeated by a lack of clarity or flexibility in the Commission's rules.

The government can protect its financial interest, address public policy concerns and permit smaller players to obtain much needed financing with just a few carefully crafted changes to its existing rules.